

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

All currency amounts in the MD&A are expressed in Australian dollars unless otherwise specified. The following discussion and analysis is based on the Lend Lease Corporation (the Group) Consolidated Financial Statements for the half year ended 31 December 2008 and should be read in conjunction with those financial statements.

## Overview

### Introduction

The Group has five lines of business that operate in three geographic regions: Asia Pacific, Europe and the Americas.

- The Retail business comprises retail property management, asset management and development. This business also includes the Group's ownership interests in direct property investments, including those held via limited partnerships;
- The Communities business is involved in the development of large scale master-planned urban communities, inner city apartments and senior living;
- The Public Private Partnerships (PPP) business manages and invests equity in large PPP projects;
- Investment Management provides real estate investment management services. Investment Management includes the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds;
- Project Management and Construction provides construction, project management and design services through Bovis Lend Lease (Bovis).

## Results Summary

	Revenue		EBITDA		Profit/(Loss) After Tax <sup>1,2</sup>	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
Retail	69.6	67.9	51.7	48.4	37.4	34.1
Communities	215.5	583.0	55.7	78.3	71.1	56.7
Public Private Partnerships	712.7	477.6	25.0	31.4	30.8	35.7
Investment Management	36.8	78.3	25.8	110.5	20.9	103.9
Project Management and Construction	6,754.2	6,351.6	131.3	90.0	88.1	62.8
<b>Total operating businesses</b>	<b>7,788.8</b>	<b>7,558.4</b>	<b>289.5</b>	<b>358.6</b>	<b>248.3</b>	<b>293.2</b>
Group Services	11.3	3.6	(42.1)	(36.3)	(39.0)	(30.2)
Group Treasury	28.5	28.3	(12.9)	0.3	(22.4)	(7.4)
Group Amortisation					(1.5)	(1.5)
<b>Total corporate</b>	<b>39.8</b>	<b>31.9</b>	<b>(55.0)</b>	<b>(36.0)</b>	<b>(62.9)</b>	<b>(39.1)</b>
<b>Total operating</b>	<b>7,828.6</b>	<b>7,590.3</b>	<b>234.5</b>	<b>322.6</b>	<b>185.4</b>	<b>254.1</b>
Inventory carrying value adjustments			(225.8)		(190.7)	
Goodwill impairments			(252.9)		(252.9)	
Other unrealised carrying value adjustments			(173.9)		(150.0)	
Property investment revaluations <sup>3</sup>			(216.3)	(0.9)	(169.6)	(3.2)
Savings implementation costs			(70.4)		(48.9)	
Net gain on Bovis UK pension scheme curtailment			42.0		30.3	
<b>Total statutory</b>	<b>7,828.6</b>	<b>7,590.3</b>	<b>(662.8)</b>	<b>321.7</b>	<b>(596.4)</b>	<b>250.9</b>

1 Profit after tax is after adjusting for the loss attributable to minority interests of A\$6.0 million (December 2007: A\$2.6 million loss after tax).

2 December 2007 operating profit after tax of A\$262.8 million has been adjusted to A\$254.1 million (statutory profit has been adjusted from A\$259.6 million to A\$250.9 million) to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period. The before and after tax effect of the adjustment for the period ended December 2007 is A\$8.7 million. All ratios have been restated based on the revised results.

3 Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements.

During the six months ended 31 December 2008, in line with unprecedented world economic conditions, the Group has seen a significant slowdown in all of its key markets and geographies. The turbulent market conditions have also resulted in a steep decline in property asset values. The difficult economic conditions have necessitated a write down in the carrying value of the Group's tangible assets of A\$510.3 million after tax and intangible assets of A\$252.9 million after tax. Additionally, in response to slowing momentum, the Group has implemented a number of cost reduction initiatives which have resulted in one-off implementation costs of A\$48.9 million after tax. The Group also recognised a net gain from the curtailment of the Bovis UK pension scheme of A\$30.3 million after tax. As a result, the Group reports a statutory loss after tax of A\$596.4 million for the six months ended 31 December 2008.

The Group remains focused on key financial fundamentals such as maintaining strong cash management and significant liquidity as well as cost reduction and control to ensure its cost base aligns with market conditions.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Overview continued

### Results Summary continued

The Group remains in a strong financial position with cash and cash equivalents at 31 December 2008 of A\$1,563.3 million (June 2008: A\$842.8 million), net debt of A\$214.1 million (June 2008: A\$86.5 million) and low gearing (net debt to total tangible assets, less cash) of 5.2% (June 2008: 4.1%).

On 30 December 2008, the Group completed the acquisition of a 43.2% stake in Lend Lease Primelife Limited (LLPL) (previously known as Babcock & Brown Communities Group) and the associated management rights, expanding the Group's interest in the fast growing retirement sector. The 43.2% stake includes the final 2.2% interest in LLPL acquired on 20 February 2009 following New Zealand regulatory approval.

### Profit After Tax

The Group has reported a statutory loss after tax for the six months ended 31 December 2008 of A\$596.4 million after recognising the following non operating adjustments:

- A reduction in the carrying value of inventory of A\$190.7 million after tax relating to Crosby Lend Lease (Crosby), the Communities businesses in Australia and the United States (US) and the Retail business in the United Kingdom (UK) due to adverse trading conditions;
- The impairment of the carrying value of the goodwill in Crosby of A\$172.4 million after tax and the Australian Communities business of A\$80.5 million after tax due to the deterioration in residential markets;
- Other unrealised carrying value adjustments of A\$150.0 million after tax including a reduction in the carrying value of the Group's interests in both UK and Australian retail and communities projects and a mark to market loss of A\$35.7 million after tax on the Group's exposure to the FKP Property Group;
- Net unrealised property investment revaluation losses on retail investments of A\$169.6 million after tax due to the expansion of capitalisation rates in all property markets, most significantly in the UK and US;
- In response to slowing market conditions, cost savings initiatives have been implemented which result in one-off implementation costs of A\$48.9 million after tax;
- The curtailment of the Bovis UK pension scheme has resulted in a net gain of A\$30.3 million after tax.

Operating profit after tax decreased by 27% to A\$185.4 million. Operating profit after tax was positively impacted by foreign exchange movements of A\$9.4 million.

The Retail business operating profit after tax was in line with the prior period. There was no profit realised from sales of retail property investments in either period.

The Communities business operating profit after tax increased primarily due to the sale of the Group's interest in seven retirement villages and an aged care facility to LLPL. There was however, a significant decline in residential sales and settlement volumes in both the UK and Australia due to weak trading conditions in both markets which have negatively impacted on the result this period.

Operating profit after tax from the PPP business declined as no Actus Lend Lease (Actus) projects reached financial close in the period. In the UK, operating profit after tax increased primarily due to a negative adjustment in the period to December 2007 relating to the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period.

The contribution from Investment Management was lower as the prior period included a profit after tax of A\$40.1 million from the sale of a proportion of the Group's interest in Australian Prime Property Funds (APPF) and in Europe, a tax exempt dividend of A\$44.0 million from the Group's interest in the advisor company to Lend Lease Global Properties, SICAF (Global Fund) in relation to incentive fees.

Project Management and Construction operating profit after tax increased, reflecting the successful completion of a number of projects in Australia and improved performance in the UK.

Corporate costs include costs relating to Lend Lease Ventures, which is focused on investing in emerging technologies and additional costs in the Group's captive insurance vehicle. Group Treasury profit after tax decreased due to higher interest costs as the £350.0 million UK syndicated bank facility was fully drawn down in the period and due to the mark to market of hedge instruments.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Overview continued

### Shareholder Returns

		December 2008	December 2007 <sup>3</sup>
Earnings per share (EPS) on operating profit after tax <sup>1</sup>	cents	46.1	63.3
EPS on statutory (loss)/profit after tax <sup>1</sup>	cents	(148.2)	62.6
Return on equity (ROE) on statutory (loss)/profit after tax <sup>2</sup>	%	(20.7)	7.7

- 1 EPS is calculated using the weighted average number of shares on issue including treasury shares. Under the Australian Accounting Standards, shares held in employee benefit vehicles, including employee share plans, which Lend Lease sponsors, are treated as treasury shares and are excluded from the calculation. This would have the effect of increasing the EPS calculations above if applied.
- 2 ROE is calculated based on statutory loss after tax and average equity.
- 3 The ratios for the period ended December 2007 have been adjusted for the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period.

### Dividends

An interim 60% franked dividend of 25 cents per share will be paid on 1 April 2009 (December 2007: 43 cents per share 40% franked). This represents a payout ratio of 61% of operating profit after tax for the half year.

### Group Debt

		December 2008	June 2008
Net debt <sup>1</sup>	A\$m	214.1	86.5
Gross borrowings to total tangible assets <sup>2</sup>	%	21.0	14.3
Net debt to total tangible assets, less cash <sup>3</sup>	%	5.2	4.1
Interest coverage <sup>4</sup>	times	5.7	7.1
Credit rating (Standard & Poor's/Moody's)	rating	BBB-/Baa3	BBB-/Baa3

- 1 Net debt is borrowings excluding other non current financial liabilities, less cash.
- 2 Calculated as borrowings including other non current financial liabilities divided by total tangible assets.
- 3 Calculated as net debt including other non current financial liabilities, divided by total tangible assets, less cash.
- 4 Calculated as operating EBITDA plus interest revenue divided by gross finance costs, including capitalised finance costs.

The Group's net debt at 31 December 2008 was A\$214.1 million, excluding other non current financial liabilities of A\$194.8 million. The Group's gearing remains low and interest coverage at 5.7 times is broadly in line with the Group's internal target.

The Group is in a strong liquidity position with cash and cash equivalents of A\$1,563.3 million at 31 December 2008. In addition, the Group had un-drawn committed bank facilities of A\$61.7 million.

The average maturity of Lend Lease's debt facilities at 31 December 2008 was 6.5 years, with the earliest maturity date being November 2010. If the £350.0 million syndicated bank facility, which was fully invested in cash at 31 December 2008, is excluded, the average maturity at 31 December 2008 was 10 years.

At 31 December 2008 the mix of borrowings, including the Bluewater lease, was 54% at fixed rates and 46% at floating rates. If the £350.0 million syndicated bank facility, which was fully invested in cash at 31 December 2008 is excluded, the mix of borrowings was 86% at fixed rates and 14% at floating rates.

On 11 February 2009 Lend Lease issued 50 million new shares via an institutional placement which raised A\$302.5 million before costs associated with the placement. The new shares were issued at A\$6.05 per share and are fully entitled to the December 2008 interim dividend.

The Group continues to maintain an investment-grade credit rating.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Overview continued

#### Cash Flow

	December 2008 A\$m	December 2007 A\$m
Net cash provided by operating activities	195.0	185.0
Net cash (used in)/provided by investing activities	(277.9)	158.8
Net cash provided by/(used in) financing activities	709.2	(153.1)
Effect of foreign exchange rate movements on cash and cash equivalents	94.2	(13.4)
<b>Net increase in cash and cash equivalents</b>	<b>720.5</b>	<b>177.3</b>

Operating cash inflows of A\$195.0 million represent the underlying cash flows from the Group's operating businesses net of continued investment in property developments. The prior period included the receipt of the tax refund and associated interest from the resolution of the tax dispute with the ATO.

Investing cash outflows of A\$277.9 million includes the acquisition of the Group's further stake in LLPL, the associated management rights and the related convertible notes.

Financing cash inflows of A\$709.2 million principally relate to the draw down on the Group's £350.0 million syndicated bank facility offset against the dividend payment of A\$101.6 million. The £350.0 million syndicated bank facility was fully drawn down in the period, and as noted above, fully invested in cash and cash equivalents.

#### Investments

	Region	Lend Lease Share of Income <sup>1,2</sup> December 2008 A\$m	Lend Lease Share of Income <sup>1,2</sup> December 2007 A\$m	Market Value <sup>3</sup> December 2008 A\$m	Market Value <sup>3</sup> June 2008 A\$m
<b>Retail</b>					
Bluewater	UK	30.0	30.4	978.1	1,188.8
King of Prussia	US	16.7	14.4	499.0	421.7
Other retail investments	Various	2.2	5.7	269.4	406.0
<b>Total Retail</b>		<b>48.9</b>	<b>50.5</b>	<b>1,746.5</b>	<b>2,016.5</b>
<b>Investment Management</b>					
Other retail investments	Various	13.1	57.9	511.8	505.5
Other investments	Various	0.6	7.5	99.4	98.3
<b>Total Investment Management</b>		<b>13.7</b>	<b>65.4</b>	<b>611.2</b>	<b>603.8</b>
<b>Total investments</b>		<b>62.6</b>	<b>115.9</b>	<b>2,357.7</b>	<b>2,620.3</b>

1 Represents Lend Lease's share of income before tax from investments net of direct expenses and allocated overhead, excluding property investment revaluations.

2 There are no gains or losses on the disposal or redemption of available for sale financial assets included in Lend Lease's share of income for the period ended 31 December 2008 (December 2007: A\$54.1 million).

3 Market value is based on independent valuations and is net of project-specific debt.

Lend Lease held property investments, directly or indirectly, with a market value of A\$2.4 billion at 31 December 2008. The market value of investments declined by A\$262.6 million due to a weakening of capitalisation rates in all regions. This decline is net of positive foreign exchange movements of A\$227.1 million.

During the period, the Group's interest in property investments generated investment income EBITDA of A\$62.6 million (December 2007: A\$61.8 million), excluding gains on the disposal or redemption of available for sale financial assets.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Overview continued

#### Investments continued

##### Retail

The independent market value of 100% of Bluewater at 31 December 2008 decreased by 18% to £1,565.0 million (A\$3,260.4 million). The value of Lend Lease's 30% direct interest decreased by A\$210.7 million to A\$978.1 million, net of foreign exchange movements. As Bluewater is held as inventory, the asset is recorded at historical cost in the financial statements, which at 31 December 2008 was A\$523.4 million (June 2008: A\$520.7 million).

The value of Lend Lease's 50% interest in King of Prussia decreased by 14% to US\$344.3 million (June 2008: US\$400.6 million), although the Australian dollar equivalent value increased due to positive foreign exchange movements.

Other retail investments have decreased by A\$136.6 million principally due to a decline in the market value of investments as a result of an expansion in capitalisation rates.

##### Investment Management

Other retail investments increased by A\$6.3 million to A\$511.8 million principally due to positive foreign exchange movements more than offsetting a decrease in the market value of the Group's UK investments.

Other investments remained in line with the prior period.

#### Property Investment Revaluations

	Region	Unrealised Revaluation Gain/(Loss) Before Tax December 2008 A\$m	Unrealised Revaluation Gain/(Loss) Before Tax December 2007 A\$m	Unrealised Revaluation Gain/(Loss) After Tax December 2008 A\$m	Unrealised Revaluation Gain/(Loss) After Tax December 2007 A\$m
<b>Retail</b>					
Pakenham Place	Australia	(1.3)		(1.3)	
Chelmsford Meadows Shopping Centre	UK	(31.0)	(17.0)	(23.3)	(12.2)
Performance Retail Limited Partnership	UK	(17.5)	(4.6)	(15.6)	(4.6)
Warrington Retail Limited Partnership	UK	(66.5)		(67.8)	
King of Prussia	US	(76.4)	7.8	(44.7)	4.5
<b>Total</b>		<b>(192.7)</b>	<b>(13.8)</b>	<b>(152.7)</b>	<b>(12.3)</b>
<b>Investment Management</b>					
APIC II	Asia	(0.7)	13.5	(0.5)	9.5
Lend Lease Overgate Partnership	UK	(22.9)	(0.6)	(16.4)	(0.4)
<b>Total</b>		<b>(23.6)</b>	<b>12.9</b>	<b>(16.9)</b>	<b>9.1</b>
<b>Total property investment revaluations<sup>1</sup></b>		<b>(216.3)</b>	<b>(0.9)</b>	<b>(169.6)</b>	<b>(3.2)</b>

1 Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements and are therefore included in statutory profit.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Retail

#### Overview of Business

Lend Lease focuses on shopping centres with expansion potential in growing catchment areas. This business strategy is designed to secure integrated positions, which play to the Group's core skills and involve all components of the property value chain (ownership, development, construction and property management).

#### Key Financial Results

The key financial results for the Retail business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
<b>Property Management</b>						
Asia Pacific	20.7	17.5	5.8	2.8	4.0	1.9
Europe	10.9	11.9	(3.0)	(4.9)	(2.7)	(3.8)
<b>Total</b>	<b>31.6</b>	<b>29.4</b>	<b>2.8</b>	<b>(2.1)</b>	<b>1.3</b>	<b>(1.9)</b>
<b>Investment Income</b>						
Asia Pacific	0.6	0.5	0.2	0.3	0.1	0.2
Europe	37.4	38.0	32.0	35.8	22.2	23.7
Americas			16.7	14.4	13.8	12.1
<b>Total</b>	<b>38.0</b>	<b>38.5</b>	<b>48.9</b>	<b>50.5</b>	<b>36.1</b>	<b>36.0</b>
<b>Total Operating</b>						
Asia Pacific	21.3	18.0	6.0	3.1	4.1	2.1
Europe	48.3	49.9	29.0	30.9	19.5	19.9
Americas			16.7	14.4	13.8	12.1
<b>Total operating</b>	<b>69.6</b>	<b>67.9</b>	<b>51.7</b>	<b>48.4</b>	<b>37.4</b>	<b>34.1</b>

Total operating profit after tax increased by A\$3.3 million from the prior period principally due to an increase in Asia Pacific.

The adjustments made to the carrying value of assets are excluded from operating profit but are included in the Group's statutory loss after tax.

#### Retail – Asia Pacific

Operating profit after tax increased by A\$2.0 million to A\$4.1 million due to additional fees from projects under development.

In Asia Pacific, Lend Lease holds a direct ownership interest in two development opportunities and two operating retail centres. The business is currently undertaking master-planning and development management of seven centres in Australia and one in Singapore with an estimated gross development cost of A\$2.6 billion. In addition, the business carries out the property management of nine centres in Australia and two in Asia, with a total gross lettable area of 603,400 square metres (sqm).

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Retail continued

### Retail – Asia Pacific continued

Key trading events in the period include:

- Construction and pre-leasing progressing on schedule at the 313@Somerset retail development. The development is expected to be completed in late 2009. Lend Lease has a 25% direct ownership interest in the development, with the remaining 75% held by Lend Lease Asian Retail Investment Fund, in which Lend Lease holds a 10.1% interest;
- Construction and pre-leasing progressing on schedule at the 420 George Street retail and office development in the Sydney central business district. APPF Retail (APPFR) holds a 25% interest in the retail development and APPF Commercial (APPFC) holds a 25% interest in the office development, alongside an external owner who holds the remaining 75%. Completion of this development is expected in 2011;
- Completion of the redevelopment of the Paradiz Centre, a retail and office building in Singapore. Lend Lease has a 25% direct ownership interest in the asset;
- Construction and pre-leasing commencing on the Caroline Springs retail development in western Melbourne. The Lend Lease Core Plus Fund (LLCPF) holds a 50% interest in the retail development and APPFR holds the remaining 50% interest. Completion of this development is expected in late 2009;
- Lend Lease manages all phases of these development projects including development, leasing, project management, design and construction and, on completion, asset and property management.

### Retail – Europe

Operating profit after tax of A\$19.5 million is in line with the prior period.

In Europe, Lend Lease's Retail business includes an ownership interest in five retail centres in the UK. The business has development opportunities at three of these centres with an estimated gross development cost of A\$1.9 billion. Given current economic conditions, a review of the development pipeline had been conducted and, where appropriate, capital expenditure has been curtailed or deferred. The business also carries out the asset management of five centres with a total gross lettable area of 336,700 sqm.

Key trading events in the period include:

- An outline planning application was submitted in September 2008 for the Preston Tithebarn Development, a 50% joint venture with Grosvenor Estates. Planning is expected to be determined later this year. In addition to securing John Lewis as a key scheme anchor, agreements to lease were signed with Marks & Spencer and cinema operator, Cineworld. Given current market conditions, no significant capital was expended on this project in the period.

### Retail – Americas

In the Americas, Lend Lease's retail business comprises a 50% ownership interest in the partnership that owns the King of Prussia Mall in Pennsylvania. Lend Lease's share of operating income in US dollar terms is in line with the prior period.

The value of Lend Lease's 50% interest in King of Prussia decreased by 14% to US\$344.3 million (June 2008: US\$400.6 million), principally due to an increase in capitalisation rates, although the Australian dollar equivalent value increased due to positive foreign exchange movements.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities

#### Overview of Business

The Communities business is involved in the development of large scale master-planned urban communities, inner city apartments and senior living. The Lend Lease business model includes land sourcing, master-planning and design, product development and marketing. The scale and scope of the Communities development positions ensure earnings are derived from a diverse range of projects. This diversity reduces the portfolio risk and also generates product for both the Investment Management and Project Management and Construction businesses.

#### Key Financial Results

The key financial results for the Communities business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
Asia Pacific	175.2	274.6	66.0	54.6	75.6	39.4
Europe	40.3	308.4	(5.6)	26.1	(1.6)	18.8
Americas			(4.7)	(2.4)	(2.9)	(1.5)
<b>Total operating</b>	<b>215.5</b>	<b>583.0</b>	<b>55.7</b>	<b>78.3</b>	<b>71.1</b>	<b>56.7</b>

Operating profit after tax for the period increased by A\$14.4 million, principally due to the Asia Pacific Communities business including the profit from the sale of its interest in seven retirement villages and an aged care facility to LLPL for a consideration of A\$133.4 million. There was however, a significant decline in residential sales and settlement volumes in both the UK and Australia compared to the prior period due to weak trading conditions in both markets.

In light of adverse trading conditions across the Australian and UK markets, the Communities business has reduced the carrying value of its inventory and other assets and has written off the goodwill in relation to the Crosby and Australian Communities businesses. These adjustments are excluded from operating profit after tax but are included in the Group's statutory loss after tax.

The Communities business has a residential backlog of 105,085 units and a total commercial backlog of 4.5 million sqm.

#### Communities – Asia Pacific

The key financial results for Communities – Asia Pacific are detailed below.

	December 2008	December 2007
Operating profit after tax (A\$m)	75.6	39.4
Number of units settled <sup>1</sup>	1,096	1,625
Gross sales value of units settled (A\$m) <sup>1,2</sup>	469.8	448.9
Gross sales value of pre-sales (A\$m) <sup>1,3</sup>	581.0	611.9
	December 2008	June 2008
Number of projects <sup>4</sup>	102	47
Backlog (number of units) <sup>5</sup>		
– Zoned (with planning approval) <sup>6</sup>	31,495	27,090
– Unzoned (awaiting planning approvals)	56,150	58,240
<b>Backlog – Residential (units)</b>	<b>87,645</b>	<b>85,330</b>
Backlog – Commercial (sqm/000s)	3,314.8	3,228.8

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects and the sale of deferred management fees.

3 Pre-sales represent contracts entered into prior to 31 December 2008 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods. The gross sales value of pre-sales refers to the gross revenue from these pre-sales.

4 The number of projects includes 63 retirement villages held by LLPL, however it excludes the 30 aged care facilities held by LLPL.

5 Backlog includes the total number of units in both company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

6 This excludes the backlog for LLPL aged care of 190 beds.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Communities continued

### Communities – Asia Pacific continued

The Communities business in Asia Pacific is focused on building a portfolio of market leading projects and assets in key sectors including master-planned urban communities through Delfin Lend Lease; apartments through Vivas Lend Lease; integrated mixed-use property developments through Lend Lease Development; and senior living through co-investment and management of LLPL and through direct ownership of Retirement by Design. The product lines of the Communities business are: residential land lots; residential built-form (including houses, terraces and apartments); commercial (including retail, office, light industrial and social infrastructure); and senior living (including retirement villages, aged care and village operations).

The key financial results of the business by product line are detailed below.

	Residential Land Lots		Residential Built-Form		Commercial <sup>5</sup>		Senior Living		Total	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
<b>Settlements<sup>1</sup></b>										
Number of units <sup>2</sup>	970	1,515	114	83			12	27	1,096	1,625
Gross sales value (A\$m) <sup>3</sup>	159.2	236.9	123.8	82.4	183.0	119.8	3.8	9.8	469.8	448.9
<b>Pre-sales<sup>1,4</sup></b>										
Number of units	1,206	1,609	366	351			1		1,573	1,960
Gross sales value (A\$m)	217.0	286.6	317.9	303.0	45.7	22.3	0.4		581.0	611.9

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 The number of units settled during the period for Senior Living refers to primary sales (new development sites) and excludes any resales.

3 Gross sales value of units settled reflects revenue from projects and the sale of deferred management fees.

4 Pre-sales number of units represents contracts entered into prior to 31 December 2008 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods. The gross sales value of pre-sales refers to the gross revenue from pre-sales, including revenue earned from joint venture projects. The table excludes pre-sales relating to LLPL.

5 The number of units settled and pre-sales number of units are not relevant measures for Commercial.

Key trading events in the period include:

- Acquiring a 43.2% stake in LLPL, the associated management rights and related convertible notes. The 43.2% stake includes the final 2.2% interest in LLPL acquired on 20 February 2009 following New Zealand regulatory approval. As part of the transaction, the Group sold its interest in seven mature retirement villages and an aged care facility for a consideration of A\$133.4 million;
- The total number of residential land lots settled decreased by 36% to 970 units as weaker trading conditions have been experienced across the portfolio, particularly in NSW, resulting in reduced revenues;
- The average sales price per residential land lot increased by 5% from A\$156,400 to A\$164,100, which reflects sales of exclusive beachfront land at Hyatt Coolum, Qld; and strong price growth at the Forde project, ACT;
- Residential built-form units settled increased by 31 units to 114 units. The current period includes built-form settlements at Varsity Lakes, Qld; and Rouse Hill, Sydney; final settlements at Newington, Sydney; and the settlement of the evolve building at Jacksons Landing, Sydney;
- The average sales price per residential built-form unit increased by 9% from A\$993,000 to A\$1,086,000, which reflects the significant proportion of high value evolve apartments at Jacksons Landing being sold in the period;
- The gross sales value of commercial projects of A\$183.0 million increased by A\$63.2 million in the period primarily due to the sale by the Group of seven retirement villages and an aged care facility to LLPL;
- The number of units pre-sold at 31 December 2008 of 1,573 is a decrease of 20% on the prior period due to a weakening in trading conditions;
- The acquisition of the Casey 2 project in Canberra in partnership with Macquarie Real Estate Equity Fund No. 6, which has added 1,100 zoned lots to backlog and will commence trading in 2010;
- Securing Blakes Crossing, an 88 hectare site in South Australia, adding 1,600 residential lots to zoned backlog;
- Commencing development of the Darling Walk site, a 64,000 sqm commercial project at Darling Harbour, Sydney, under leasehold from the Sydney Harbour Foreshore Authority, with APPFC and an institutional investor as the 50/50 joint owners of the 99-year lease. Lend Lease provides development, design and construction services.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities continued

#### Communities – Europe

In Europe, the Communities business comprises Crosby, an urban regeneration specialist operating in major northern England cities such as Manchester, Leeds and Birmingham, and large scale redevelopment projects at Greenwich, Stratford and Elephant and Castle. This business also holds a 45% interest in First Base, a company specialising in affordable housing and community projects in London.

The key financial results for Communities – Europe are detailed below.

	December 2008	December 2007
Operating (loss)/profit after tax (A\$m)	(1.6)	18.8
Number of units settled <sup>1</sup>	71	740
Gross sales value of units settled (A\$m) <sup>1,2</sup>	20.2	297.7
Number of units pre-sold	299	438
Gross sales value of pre-sales (A\$m) <sup>1,3</sup>	44.8	107.0
	December 2008	June 2008
Number of projects	27	27
Backlog (number of units) <sup>4</sup>		
– Zoned (with planning approval)	13,460	13,520
– Unzoned (awaiting planning approvals)	220	950
<b>Backlog – Residential (units)</b>	<b>13,680</b>	<b>14,470</b>
Backlog – Commercial (sqm/000s)	410.1	422.6

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects.

3 Pre-sales represent contracts entered into prior to 31 December 2008 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods. The gross sales value of pre-sales refers to the gross revenue from these pre-sales.

4 Backlog includes the total number of units in both company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

Communities – Europe has 27 projects: the three London-based redevelopment projects at Greenwich, Stratford and Elephant and Castle and 24 Crosby projects. The Crosby projects are predominantly mid to high rise apartment developments on brownfield urban regeneration sites. The product lines of the UK business are: residential land lots; residential built-form (including houses, terraces and apartments); and commercial (including retail, office, light industrial and social infrastructure).

Key trading events in the period include:

- Operating profit after tax has decreased by A\$20.4 million to a loss of A\$1.6 million, principally due to a decrease in the profit contribution from Crosby as a result of the significant slowdown of the UK residential market;
- The gross sales value of units settled decreased to A\$20.2 million and gross sales value of pre-sales declined to A\$44.8 million reflecting the slowdown in the UK market. There were no sales of commercial units in the period;
- Backlog residential units were 13,680 at 31 December 2008. The decline in backlog units of 790 from June 2008 is principally due to the Potato Wharf Phase III project no longer being pursued due to market conditions;
- The Greenwich Peninsula project is a mixed-use development on 59 hectares of land on the Greenwich Peninsula in London. The project will be developed through a combination of land sales to third party developers and direct development with joint venture partners. An office development is underway with a substantial pre-let to Transport for London. The development is expected to be completed in mid 2009. A college is also now under construction for Ravensbourne College of Design & Communications;

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Communities continued

#### Communities – Europe continued

- In March 2007, Lend Lease was appointed as preferred bidder for the development of Stratford City zones two to seven by the Olympic Delivery Authority (ODA) and London and Continental Railways (LCR). The project involves a mixed-use development on 54 hectares of land with an existing planning consent on 9.4 million square feet. The first stage of development involves building the Athletes' Village for the London 2012 Olympic and Paralympic Games. Lend Lease is in negotiations with the ODA and LCR to agree a Regeneration Agreement governing the development arrangements. In August 2008, the interim arrangements were replaced by a Development Management Agreement, to enable the development of the London 2012 Olympic village to progress in advance of signing the Regeneration Agreement. In the interim, the Group's costs associated with this work (excluding negotiation costs) are being funded by the ODA;
- In July 2007, Lend Lease was appointed as preferred bidder for the development of land at Elephant and Castle. Lend Lease is in negotiations with the London Borough of Southwark to agree a Regeneration Agreement for the building of a mixed-use development of 3,000 homes and retail and office space around a new park. To date there has been no significant expenditure on this development.

#### Communities – Americas

In the US, the Communities business focuses on large scale urban greenfield development and regeneration opportunities. The business has one project, Horizon Uptown in Denver, Colorado.

The key financial results for Communities – Americas are detailed below.

	December 2008	December 2007
Operating profit/(loss) after tax (A\$m)	(2.9)	(1.5)
Number of units settled <sup>1</sup>		1
Gross sales value of units settled (A\$m) <sup>1,2</sup>		0.3
	December 2008	June 2008
Number of projects	1	2
Backlog (number of units) <sup>3</sup>		
– Zoned (with planning approval)	3,760	3,760
– Unzoned (awaiting planning approvals)		13,365
<b>Backlog – Residential (units)</b>	<b>3,760</b>	<b>17,125</b>
Backlog – Commercial (sqm/000s)	778.8	1,382.7

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects revenue from projects.

3 The actual number of backlog units for any particular project can vary as planning applications are obtained.

Key trading events in the period include:

- Local municipality approvals have been received on the Horizon Uptown project. The project is expected to be launched in 2012, subject to favourable market conditions;
- A final termination notice under the Development Management Services Agreement with the Colorado State Land Board for the Lowry Range project was issued on 9 January 2009, as conditions precedent under the Agreement had not been achieved.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Public Private Partnerships

#### Overview of Business

The PPP business consists of Actus in the US and the PPP projects in Europe.

#### Key Financial Results

The key financial results for the PPP business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax <sup>1</sup>	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
Americas	652.2	421.3	29.3	45.1	27.5	39.6
Europe	60.5	56.3	(4.3)	(13.7)	3.3	(3.9)
<b>Total operating</b>	<b>712.7</b>	<b>477.6</b>	<b>25.0</b>	<b>31.4</b>	<b>30.8</b>	<b>35.7</b>

<sup>1</sup> December 2007 operating loss after tax of A\$3.9 million has been adjusted from an operating profit after tax of A\$4.8 million to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period.

#### Public Private Partnerships – Americas

The primary focus of Actus is the Military Housing Privatization Initiative (MHPI) for all branches of the USA Military. Under the MHPI, Actus is selected to own, finance, construct and operate projects for a period of 50 years.

The key financial results for PPP – Americas are detailed below.

	December 2008	December 2007
Profit after tax (A\$m)	27.5	39.6
Development gross profit margin (GPM) (A\$m)	11.7	35.9
Construction GPM (A\$m)	23.5	21.5
Asset management GPM (A\$m)	7.8	5.1
Equity returns (A\$m)	1.6	1.0
	December 2008	June 2008
Number of projects <sup>1</sup>	19	19
Backlog (number of units under management)		
– Operational (secured)	38,450	38,450
– Preferred bidder (awarded)	5,650	6,300
<b>Total backlog</b>	<b>44,100</b>	<b>44,750</b>

<sup>1</sup> Number of projects includes extensions of existing projects and projects where Lend Lease is preferred bidder.

Key trading events in the period include:

- Decreased development fee income as there were no projects that reach financial close in the period ended 31 December 2008. Development fees represent a fee for service and are not at risk from project performance;
- Construction GPM and asset management GPM remain in line with the delivery programme;
- Current market conditions have resulted in a reduction in the proposed scope of the Fort Wainwright and Fort Greely project and the Privatised Army Lodging project for which Actus is preferred bidder.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Public Private Partnerships continued

#### Public Private Partnerships – Americas continued

#### New Work Secured and Backlog GPM

	New Work Secured GPM December 2008 A\$m	New Work Secured GPM December 2007 A\$m	Backlog GPM December 2008 <sup>1</sup> A\$m	Backlog GPM June 2008 <sup>1</sup> A\$m
Projects in operational status (secured)	17.2	127.3	421.5	382.3
Projects in preferred bidder status (awarded) <sup>2</sup>	(19.9)	(108.3)	56.3	65.2
<b>Total</b>	<b>(2.7)</b>	<b>19.0</b>	<b>477.8</b>	<b>447.5</b>

1 Backlog GPM disclosed includes 10 years' backlog from facilities management even though the contracts run for up to 50 years.

2 Projects in preferred bidder status include the GPM on projects that were awarded preferred bidder status in the period, offset by the GPM transferred from preferred bidder status to operational status following financial close of projects in the period.

Total Backlog GPM at 31 December 2008 was impacted by a positive movement in foreign exchange of A\$75.6 million.

#### Backlog GPM Realisation

	Year Ending June 2009 %	Year Ending June 2010 %	Post June 2010 %	Total %
Projects in operational status (secured)	14	21	65	100
Projects in preferred bidder status (awarded)	11	18	71	100
<b>Total</b>	<b>14</b>	<b>20</b>	<b>66</b>	<b>100</b>

### Public Private Partnerships – Europe

The PPP business in the UK is focused on four sectors: health, education, waste and accommodation. Under PPP schemes, Lend Lease is selected to own, finance, construct and operate projects for a period of up to 40 years. The PPP result includes asset management GPM, facilities management GPM, returns on equity, loan stock interest and net bid costs. The PPP result does not include construction GPM, which is included in Project Management and Construction.

The key financial results for PPP – Europe are detailed below.

	December 2008	December 2007 <sup>1</sup>
Profit/(loss) after tax (A\$m)	3.3	(3.9)
Operating GPM (A\$m)	7.0	5.4
Equity returns (A\$m) <sup>2</sup>	21.3	21.0
New work secured <sup>3</sup>	4.7	5.6
	December 2008	June 2008
Number of projects <sup>4</sup>	19	19
Backlog GPM <sup>3,5</sup>	79.1	73.8
Equity		
– Invested (\$Am)	161.5	147.9
– Committed (\$Am)	46.5	59.8

1 December 2007 operating loss after tax of A\$3.9 million has been adjusted from an operating profit after tax of A\$4.8 million to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period.

2 Including loan stock interest.

3 Relates to secured projects.

4 Number of projects includes projects where Lend Lease is preferred bidder and combines extensions of existing projects.

5 Backlog GPM disclosed includes only 10 years backlog from facilities management even though PPP contracts run for longer periods of up to 40 years.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### **Public Private Partnerships continued**

#### Public Private Partnerships – Europe continued

Key trading events in the period include:

- Achieving financial close of Lancashire Schools Phase 2A, which were the remaining two schools in Phase 2 of the £1.0 billion Lancashire Building Schools for the Future (BSF) project;
- An increase in the number of operational assets, with the practical completion and operational handover of the three schools (£81.0 million) in Phase 1 of the Lancashire BSF programme;
- Subsequent to 31 December 2008, UK PPP has been selected as preferred partner to deliver the £1.2 billion BSF project for the City of Birmingham, Europe's largest metropolitan council.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Investment Management

### Overview of Business

The Investment Management business has A\$11.2 billion (June 2008: A\$9.3 billion) of funds under management (FUM). This business also includes investments held indirectly in property assets with a market value of A\$611.2 million (June 2008: A\$603.8 million).

### Key Financial Results

The key financial results for the Investment Management business are summarised below.

	Revenue <sup>1</sup>		EBITDA		Profit/(Loss) After Tax	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
<b>Funds Management</b>						
Asia Pacific	27.4	22.3	13.7	3.2	9.8	3.0
Europe	1.5	46.0	(1.4)	41.4	1.0	42.2
Americas			(0.2)	0.5	(0.1)	0.3
<b>Total</b>	<b>28.9</b>	<b>68.3</b>	<b>12.1</b>	<b>45.1</b>	<b>10.7</b>	<b>45.5</b>
<b>Investment Income<sup>2</sup></b>						
Asia Pacific	5.8	6.2	8.5	58.5	6.5	53.4
Europe	1.9	1.8	5.0	5.0	3.6	3.4
Americas	0.2	2.0	0.2	1.9	0.1	1.6
<b>Total</b>	<b>7.9</b>	<b>10.0</b>	<b>13.7</b>	<b>65.4</b>	<b>10.2</b>	<b>58.4</b>
<b>Total Operating</b>						
Asia Pacific	33.2	28.5	22.2	61.7	16.3	56.4
Europe	3.4	47.8	3.6	46.4	4.6	45.6
Americas	0.2	2.0		2.4		1.9
<b>Total operating</b>	<b>36.8</b>	<b>78.3</b>	<b>25.8</b>	<b>110.5</b>	<b>20.9</b>	<b>103.9</b>

1 Revenue excludes proceeds received from the sale of investments, redemption of available for sale financial assets and Lend Lease's share of profits from associates and joint ventures accounted for using the equity method.

2 Represents Lend Lease's share of income from investments net of direct expenses and allocated overhead, excluding property investment revaluations. There are no gains or losses on the disposal or redemption of available for sale financial assets in the period ended 31 December 2008 (December 2007 EBITDA and profit after tax included a gain of A\$54.1 million and a gain of A\$46.7 million respectively).

Unrealised property investment losses in relation to the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds are excluded from operating profit but are included in the Group's statutory loss after tax.

Key trading events in the period include:

#### Asia Pacific

- Profit after tax from Funds Management increased by A\$6.8 million to A\$9.8 million due to strong performances from both the Australian and Singapore platforms in a challenging market environment;
- Profit after tax from Investment Income decreased by A\$46.9 million to A\$6.5 million as the prior period included the sale of a proportion of the Group's investment in APPF for a profit after tax of A\$40.1 million and a profit contribution from Asia Pacific Investment Company Limited of A\$6.1 million, on the sale of the fund's last remaining asset;
- In Australia all three of the APPF series of funds outperformed the one year Mercer Unlisted Property Funds Index in the period ending December 2008. In particular, APPFR and APPF Industrial were the top two performing funds based on the gross one year return in the 12 month period ended 31 December 2008.

#### Europe

- Profit after tax from Funds Management decreased by A\$41.2 million to A\$1.0 million this period as the prior period included the receipt of a tax exempt dividend of A\$44.0 million from the Group's interest in the advisor company to the Global Fund in relation to incentive fees.

#### Americas

- Profit after tax relates to the continued wind-up of the residual US REI business.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Investment Management continued

#### Funds Under Management

	Asia Pacific A\$b	Europe A\$b	Total December 2008 A\$b	Total June 2008 A\$b
FUM at the beginning of the financial period	7.1	2.2	9.3	8.9
Foreign exchange movement <sup>1</sup>	0.3		0.3	(0.3)
Additions	2.1		2.1	0.7
Reductions	(0.1)		(0.1)	(0.1)
Net revaluations		(0.4)	(0.4)	0.1
<b>FUM at the end of the financial period<sup>2</sup></b>	<b>9.4</b>	<b>1.8</b>	<b>11.2</b>	<b>9.3</b>

1 Foreign exchange movement arising from translating opening FUM in local currency between June 2008 and December 2008.

2 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.

FUM increased by A\$1.9 billion to A\$11.2 billion during the period. Asia Pacific FUM increased by A\$2.3 billion primarily due to the acquisition of LLPL management rights, while Europe FUM decreased by A\$0.4 billion due to the net revaluation decreases in underlying asset values.

The movements in FUM in the period were:

#### Asia Pacific

- Foreign exchange movements added A\$0.3 billion due to the restatement of FUM relating to Singapore at December 2008 exchange rates;
- The acquisition of the LLPL management rights added A\$1.8 billion in Australian and New Zealand based assets to FUM;
- LLCPF acquired A\$0.1 billion of property assets;
- The APPF series of funds incurred capital expenditure of A\$0.2 billion.

#### Europe

- FUM declined by A\$0.4 billion as a result of net revaluation decreases on underlying asset values due to economic conditions in the UK.

# Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

## Project Management and Construction

### Key Financial Results

The key financial results for the Project Management and Construction business are summarised below.

	Revenue		Realised GPM		EBITDA		Profit/(Loss) After Tax	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia Pacific	1,499.3	1,456.8	121.4	94.4	60.0	52.6	40.6	36.8
Americas	3,451.9	3,100.2	120.9	92.3	34.4	26.6	22.6	19.2
Europe	1,803.0	1,794.6	101.7	82.8	36.9	10.8	24.9	6.8
<b>Total operating</b>	<b>6,754.2</b>	<b>6,351.6</b>	<b>344.0</b>	<b>269.5</b>	<b>131.3</b>	<b>90.0</b>	<b>88.1</b>	<b>62.8</b>

Project Management and Construction profit after tax was A\$88.1 million, an increase of A\$25.3 million over the prior period. Profit after tax for the period was positively impacted by foreign exchange movements of A\$4.7 million.

Total revenue remained broadly in line with the prior period and was positively impacted by foreign exchange movements of A\$0.4 billion.

Key trading events in the period include:

#### Asia Pacific

- The Asia Pacific profit after tax of A\$40.6 million increased by A\$3.8 million compared to the prior period. Key contributions to GPM in Australia included the ANZ Head Office building in Melbourne, Sydney Water Desalination Pipeline, Robina Town Centre retail project in Queensland and CBA office building in Homebush, Sydney. In Asia, the telecommunications rollout in Japan, the Singapore Capacity Expansion Project and Somerset Central retail development in Singapore were key contributors during the period.

#### Americas

- Profit after tax for the Americas business of A\$22.6 million is an A\$3.4 million increase on the prior period, including a positive foreign exchange movement of A\$2.8 million. Profit after tax was negatively impacted by costs relating to the fire at the former Deutsche Bank project in New York. Key contributions to GPM included the 155 N. Wacker Drive office development in Chicago, the Lenbrook high rise senior living project in Atlanta, the 353 N. Clark office building project in Chicago and the Mets Stadium in New York.

#### Europe

- The European business contributed A\$24.9 million in profit after tax for the period. Performance improved, although this business continues to be impacted by the work out of the UK projects where a provision was taken in prior periods. Key contributions to GPM included BSKyB television studio project in London and Peel Media City mixed-use project in Gloucester.

#### Profitability Ratio

The profitability ratio (defined as EBITDA divided by realised GPM) increased from 33% to 38%, principally due to the higher profit contribution in Europe where the ratio increased from 13% to 36% this period. The profitability ratio declined by 7% in Asia Pacific to 49% (December 2007: 56%) and in the Americas the profitability ratio is consistent with the prior period at 28% (December 2007: 29%).

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Project Management and Construction continued

#### New Work Secured and Backlog GPM

	New Work Secured GPM December 2008 A\$m	New Work Secured GPM December 2007 A\$m	Backlog GPM December 2008 <sup>1</sup> A\$m	Backlog GPM June 2008 <sup>1</sup> A\$m
Asia Pacific	170.7	209.5	331.3	282.0
Americas	40.6	81.0	196.5	236.7
Europe	72.1	96.0	245.7	269.6
<b>Total</b>	<b>283.4</b>	<b>386.5</b>	<b>773.5</b>	<b>788.3</b>

1 Although backlog GPM is realised over several years, the average foreign exchange rate for the current period has been applied to the closing backlog GPM balance in its entirety as the average rates for later years cannot be predicted. In local currency, the Americas backlog GPM was US\$151.3 million (June 2008: US\$213.0 million) and the European backlog GPM was £110.6 million (June 2008: £121.3 million).

New work secured is the total project GPM to be earned from projects secured during the period, net of margin movements.

Backlog GPM is the expected GPM to be realised in future financial periods from contracts committed at the end of the period. Backlog GPM at 31 December 2008 was positively impacted by foreign exchange movements of A\$45.8 million.

#### Backlog GPM Realisation

	Year Ending June 2009 %	Year Ending June 2010 %	Post June 2010 %	Total %
Asia Pacific	26	37	37	100
Americas	41	45	14	100
Europe	40	37	23	100
<b>Total</b>	<b>34</b>	<b>39</b>	<b>27</b>	<b>100</b>

As at 31 December 2008, 34% of Bovis Lend Lease Backlog GPM is projected to be realised in the period to June 2009. The proportion of Bovis Lend Lease secured Backlog GPM to be realised beyond 18 months decreased to 27% (December 2007: 30%).

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Corporate

The key financial results for Corporate are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
Group Services	11.3	3.6	(42.1)	(36.3)	(39.0)	(30.2)
Group Treasury	28.5	28.3	(12.9)	0.3	(22.4)	(7.4)
Group Amortisation					(1.5)	(1.5)
<b>Total operating</b>	<b>39.8</b>	<b>31.9</b>	<b>(55.0)</b>	<b>(36.0)</b>	<b>(62.9)</b>	<b>(39.1)</b>

### Group Services

Group Services costs after tax increased by A\$8.8 million primarily due to costs in relation to Lend Lease Ventures, which is focused on investing in emerging technologies and additional costs in the Group's captive insurance vehicle.

### Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange exposures, interest rate risk and debt. The result for the period is detailed in the table below.

	Profit/(Loss) Before Tax		Profit/(Loss) After Tax	
	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	December 2007 A\$m
Interest revenue	28.5	28.3	21.2	20.1
Interest expense and borrowing costs	(49.8)	(40.7)	(34.8)	(27.7)
Net hedge benefit/(cost)	(12.5)	0.3	(8.8)	0.2
<b>Total Group Treasury</b>	<b>(33.8)</b>	<b>(12.1)</b>	<b>(22.4)</b>	<b>(7.4)</b>

### Interest Revenue and Expenses

- Interest revenue remained relatively flat compared to the previous period. The interest rate on invested cash averaged 4.5% per annum for the period (December 2007: 6.1%);
- Interest expense and borrowing costs before tax increased by A\$9.1 million compared to the previous period. This is mainly due to the Group's £350.0 million syndicated bank facility being fully drawn.

### Hedging and Foreign Exchange Exposure

- Lend Lease hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- Lend Lease uses natural hedging, where possible, to minimise its exposure to foreign denominated net assets. The remaining net assets are hedged at the discretion of management. The impact of foreign exchange movements on the Group's net assets is accounted for in the Foreign Currency Translation Reserve (FCTR). In the period, the FCTR increased by A\$301.8 million, primarily due to changes in UK, US and Singapore exchange rates;
- The A\$8.8 million after tax net hedge cost relates to the mark to market on the hedging of a proportion of US dollar profits.

### Group Liquidity

- At 31 December 2008, the Group was in a strong liquidity position with cash and cash equivalents of A\$1,563.3 million and un-drawn committed bank facilities of A\$61.7 million. The Group's net debt as at 31 December 2008 was A\$214.1 million, excluding other non current financial liabilities (principally the Bluewater lease) of A\$194.8 million;
- The average maturity of Lend Lease's debt facilities at 31 December 2008 was 6.5 years, with the earliest maturity date being November 2010. If the £350.0 million syndicated bank facility, which was fully invested in cash at 31 December 2008 is excluded, the average maturity at 31 December 2008 was 10 years;
- At 31 December 2008, the mix of borrowings, including the Bluewater lease, was 54% at fixed rates and 46% at floating rates. If the £350.0 million syndicated bank facility, which was fully invested in cash at 31 December 2008, is excluded, the mix of borrowings was 86% at fixed rates and 14% at floating rates.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Appendix 1

#### Results Detail

	Revenue		EBITDA		Profit/(Loss) Before Tax <sup>1</sup>		Profit/(Loss) After Tax <sup>2,3</sup>	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
<b>Retail</b>								
Asia Pacific	21.3	18.0	6.0	3.1	5.9	3.0	4.1	2.1
Europe	48.3	49.9	29.0	30.9	28.3	30.1	19.5	19.9
Americas			16.7	14.4	16.7	14.4	13.8	12.1
<b>Total Retail</b>	<b>69.6</b>	<b>67.9</b>	<b>51.7</b>	<b>48.4</b>	<b>50.9</b>	<b>47.5</b>	<b>37.4</b>	<b>34.1</b>
<b>Communities</b>								
Asia Pacific	175.2	274.6	66.0	54.6	73.1	57.6	75.6	39.4
Europe	40.3	308.4	(5.6)	26.1	(1.4)	28.3	(1.6)	18.8
Americas			(4.7)	(2.4)	(4.9)	(2.5)	(2.9)	(1.5)
<b>Total Communities</b>	<b>215.5</b>	<b>583.0</b>	<b>55.7</b>	<b>78.3</b>	<b>66.8</b>	<b>83.4</b>	<b>71.1</b>	<b>56.7</b>
<b>Public Private Partnerships</b>								
Europe	60.5	56.3	(4.3)	(13.7)	3.3	(8.6)	3.3	(3.9)
Americas	652.2	421.3	29.3	45.1	31.1	46.2	27.5	39.6
<b>Total Public Private Partnerships</b>	<b>712.7</b>	<b>477.6</b>	<b>25.0</b>	<b>31.4</b>	<b>34.4</b>	<b>37.6</b>	<b>30.8</b>	<b>35.7</b>
<b>Investment Management</b>								
Asia Pacific	33.2	28.5	22.2	61.7	22.0	61.7	16.3	56.4
Europe	3.4	47.8	3.6	46.4	3.6	46.4	4.6	45.6
Americas	0.2	2.0		2.4		2.4		1.9
<b>Total Investment Management</b>	<b>36.8</b>	<b>78.3</b>	<b>25.8</b>	<b>110.5</b>	<b>25.6</b>	<b>110.5</b>	<b>20.9</b>	<b>103.9</b>
<b>Project Management and Construction</b>								
Asia Pacific	1,499.3	1,456.8	60.0	52.6	58.7	51.8	40.6	36.8
Europe	1,803.0	1,794.6	36.9	10.8	34.5	8.8	24.9	6.8
Americas	3,451.9	3,100.2	34.4	26.6	32.1	24.8	22.6	19.2
<b>Total Project Management and Construction</b>	<b>6,754.2</b>	<b>6,351.6</b>	<b>131.3</b>	<b>90.0</b>	<b>125.3</b>	<b>85.4</b>	<b>88.1</b>	<b>62.8</b>
<b>Total operating businesses</b>	<b>7,788.8</b>	<b>7,558.4</b>	<b>289.5</b>	<b>358.6</b>	<b>303.0</b>	<b>364.4</b>	<b>248.3</b>	<b>293.2</b>
<b>Corporate</b>								
Group Services	11.3	3.6	(42.1)	(36.3)	(43.2)	(38.4)	(39.0)	(30.2)
Group Treasury	28.5	28.3	(12.9)	0.3	(33.8)	(12.1)	(22.4)	(7.4)
Group Amortisation					(1.5)	(1.5)	(1.5)	(1.5)
<b>Total corporate</b>	<b>39.8</b>	<b>31.9</b>	<b>(55.0)</b>	<b>(36.0)</b>	<b>(78.5)</b>	<b>(52.0)</b>	<b>(62.9)</b>	<b>(39.1)</b>
<b>Total operating</b>	<b>7,828.6</b>	<b>7,590.3</b>	<b>234.5</b>	<b>322.6</b>	<b>224.5</b>	<b>312.4</b>	<b>185.4</b>	<b>254.1</b>
Inventory carrying value adjustments			(225.8)		(225.8)		(190.7)	
Goodwill impairments			(252.9)		(252.9)		(252.9)	
Other unrealised carrying value adjustments			(173.9)		(173.9)		(150.0)	
Property investment revaluations <sup>4</sup>			(216.3)	(0.9)	(216.3)	(0.9)	(169.6)	(3.2)
Savings implementation costs			(70.4)		(70.4)		(48.9)	
Net gain on Bovis UK pension scheme curtailment			42.0		42.0		30.3	
<b>Total statutory</b>	<b>7,828.6</b>	<b>7,590.3</b>	<b>(662.8)</b>	<b>321.7</b>	<b>(672.8)</b>	<b>311.5</b>	<b>(596.4)</b>	<b>250.9</b>

1 Profit before tax is before adjusting for the amount attributable to minority interests.

2 December 2007 operating profit after tax of A\$262.8 million has been adjusted to A\$254.1 million (statutory profit has been adjusted from A\$259.6 million to A\$250.9 million) to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this period.

3 Profit after tax is after adjusting for the loss attributable to minority interests of A\$6.0 million (December 2007: A\$2.6 million loss after tax).

4 Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements.

## Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

### Appendix 2

#### Operating Results Detail in Local Currency<sup>1</sup>

	Revenue		EBITDA		Profit/(Loss) Before Tax <sup>2</sup>		Profit/(Loss) After Tax <sup>3</sup>	
	December	December	December	December	December	December	December	December
	2008	2007	2008	2007	2008	2007	2008	2007
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
<b>Asia Pacific</b>								
Retail	21.3	18.0	6.0	3.1	5.9	3.0	4.1	2.1
Communities	175.2	274.6	66.0	54.6	73.1	57.6	75.6	39.4
Investment Management	33.2	28.5	22.2	61.7	22.0	61.7	16.3	56.4
Project Management and Construction	1,499.3	1,456.8	60.0	52.6	58.7	51.8	40.6	36.8
Group Services and Amortisation	11.3	3.6	(42.1)	(36.3)	(44.7)	(39.9)	(40.5)	(31.7)
Group Treasury	24.0	20.8	(7.1)	1.4	16.9	22.2	13.6	16.0
<b>Total Asia Pacific</b>	<b>1,764.3</b>	<b>1,802.3</b>	<b>105.0</b>	<b>137.1</b>	<b>131.9</b>	<b>156.4</b>	<b>109.7</b>	<b>119.0</b>
	December	December	December	December	December	December	December	December
	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Europe</b>								
Retail	21.7	21.3	13.0	13.2	12.7	12.9	8.8	8.5
Communities	18.1	132.0	(2.5)	11.2	(0.6)	12.1	(0.7)	8.1
Public Private Partnerships	27.2	24.1	(1.9)	(5.9)	1.5	(3.7)	1.5	(1.7)
Investment Management	1.5	20.5	1.6	19.9	1.6	19.9	2.1	19.5
Project Management and Construction	811.4	768.1	16.6	4.6	15.5	3.8	11.2	2.9
Group Treasury	1.6	2.1	(2.6)	(0.5)	(18.2)	(11.6)	(13.2)	(8.1)
<b>Total Great British Pounds</b>	<b>881.5</b>	<b>968.1</b>	<b>24.2</b>	<b>42.5</b>	<b>12.5</b>	<b>33.4</b>	<b>9.7</b>	<b>29.2</b>
<b>Total Australian Dollars<sup>4</sup></b>	<b>1,959.1</b>	<b>2,261.9</b>	<b>53.8</b>	<b>99.3</b>	<b>27.9</b>	<b>78.0</b>	<b>21.4</b>	<b>68.3</b>
	December	December	December	December	December	December	December	December
	2008	2007	2008	2007	2008	2007	2008	2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Americas</b>								
Retail			12.9	12.7	12.9	12.7	10.6	10.6
Communities			(3.6)	(2.1)	(3.8)	(2.2)	(2.2)	(1.3)
Public Private Partnerships	502.2	370.3	22.5	39.6	23.9	40.6	21.2	34.8
Investment Management	0.1	1.7		2.1		2.1		1.7
Project Management and Construction	2,658.0	2,725.1	26.5	23.4	24.7	21.8	17.4	16.9
Group Treasury	0.7	2.3			(7.9)	(6.4)	(5.2)	(4.0)
<b>Total US Dollars</b>	<b>3,161.0</b>	<b>3,099.4</b>	<b>58.3</b>	<b>75.7</b>	<b>49.8</b>	<b>68.6</b>	<b>41.8</b>	<b>58.7</b>
<b>Total Australian Dollars<sup>4</sup></b>	<b>4,105.2</b>	<b>3,526.1</b>	<b>75.7</b>	<b>86.2</b>	<b>64.7</b>	<b>78.0</b>	<b>54.3</b>	<b>66.8</b>

1 Local currency results exclude foreign exchange movements other than Great British Pounds and US Dollars.

2 Profit before tax is before adjusting for the amount attributable to minority interests.

3 Profit after tax is after adjusting for the loss attributable to minority interests of A\$6.0 million (December 2007: A\$2.6 million loss after tax).

4 The foreign exchange rates applied are A\$1 = £0.450 (December 2007: A\$1 = £0.428) and A\$1 = US\$0.770 (December 2007: A\$1 = US\$0.879).